ATTACHMENT E

Audited Consolidated Financial Statements
of
@Link Holdings, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

@link Holdings, Inc.
Period from October 1, 1999 to December 31, 1999

@link Holdings, Inc.

Consolidated Financial Statements

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Contents

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Report of Independent Auditors

The Board of Directors
@link Holdings, Inc.

We have audited the accompanying consolidated balance sheet of @link Holdings, Inc. (the Company) as of December 31, 1999, and the related statements of operations, stockholders' equity and cash flows for the period from October 1, 1999 (effective date of change in control) to December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 1999, and the consolidated results of its operations and its cash flows for the period from October 1, 1999 (effective date of change in control) to December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

February 18, 2000, except for
Note 10, as to which the
date is June 7, 2000

0002-0015066

@link Holdings, Inc.

Consolidated Balance Sheet

December 31, 1999

Assets	
Current assets:	
Cash and cash equivalents	$ 5,215,116
Accounts receivable, less allowance for doubtful accounts of $35,000	413,823
Prepaid expenses and other current assets	423,683
Deposits	143,657
Total current assets	6,196,279
Property and equipment:	
Operating equipment	11,314,965
Computers and software	2,745,371
Vehicles	50,088
Furniture, fixtures and office equipment	393,903
Leasehold improvements	113,286
	14,617,613
Less accumulated depreciation	(972,650)
	13,644,963
Deferred financing costs, net	2,650,000
Goodwill, net of amortization of $1,534,421	16,878,636
Total assets	$39,369,878

0002-0015066

Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable	$ 4,000,103
Deferred revenue	303,638
Accrued expenses and other current liabilities	858,555
Current maturities of capital lease obligations	780,692
Total current liabilities	5,942,988
Long-term debt, less current maturities	6,821,685
Capital lease obligations, less current maturities	3,139,821
	15,904,494
Commitments *(Note 7)*	
Stockholders' equity *(Note 8)*:	
Series A redeemable preferred stock	25,777,778
Series A redeemable preferred stock to be issued	19,222,222
Due from New Investors	(19,222,222)
	25,777,778
Common stock Class A	26,921
Common stock Class B	7,768
Common stock Class C	27,053
Additional paid-in capital	7,437,742
Accumulated deficit	(8,794,080)
Note receivable from sale of common stock	(1,017,798)
Total stockholders' equity	23,465,384
Total liabilities and stockholders' equity	$ 39,369,878

@link Holdings, Inc.

Consolidated Statement of Operations

Period from October 1, 1999 (date of change in control) to December 31, 1999

Revenues:	
Service and installation	$ 957,131
Operating expenses:	
Network and service costs	1,228,957
General and administrative, including development and marketing	4,599,148
Stock compensation expense	1,253,524
Depreciation and amortization	2,507,071
	9,588,700
Operating loss	(8,631,569)
Other expenses (income):	
Interest income	(39,633)
Interest expense	197,871
Other expenses	4,273
Net loss	$(8,794,080)

See accompanying notes.

@link Holdings, Inc.

Consolidated Statement of Stockholders' Equity

Period from October 1, 1999 (effective date of change in control) to December 31, 1999

	Series A Preferred Stock		Series A Redeemable Preferred Stock to be Issued	Due from New Investors	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Accumulated Deficit	Note Receivable from Sale of Stock	Total
	Number of Shares	Amount			Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				
Initial capitalization of the Company upon change in control:														
Preferred stock issuance	69,739,496.02	$15,000,000	$ –	$ –	–	$ –	–	$ –	–	$ –	$ –	$ –	$ –	$15,000,000
Class A and Class B common stock carried over from predecessor at fair value	–	–	–	–	12,323,012	12,323	7,701,882.5	7,702	–	–	2,630,484	–	–	2,650,509
Class C common stock issued related to employment contracts	–	–	–	–	–	–	–	–	31,052,569	31,053	266,296	–	–	297,349
Value of stock options carried over after change in control	–	–	–	–	–	–	–	–	–	–	725,000	–	–	725,000
Equity issuance costs	–	–	–	–	–	–	–	–	–	–	(712,325)	–	–	(712,325)
Preferred stock to be issued	–	–	30,000,000	(30,000,000)	–	–	–	–	–	–	–	–	–	–
Class A common stock previously sold to officer and carried over from predecessor at fair value	–	–	–	–	13,947,899	13,948	–	–	–	–	2,986,052	–	(1,000,000)	2,000,000
Accrued interest earned on note receivable-officer	–	–	–	–	–	–	–	–	–	–	–	–	(2,776)	(2,776)
Warrants issued	–	–	–	–	–	–	–	–	–	–	49,000	–	–	49,000
Balance at October 1, 1999	69,739,496.02	15,000,000	30,000,000	(30,000,000)	26,270,911	26,271	7,701,882.5	7,702	31,052,569	31,053	5,944,507	–	(1,002,776)	20,006,757
Preferred stock issuance	50,109,119.33	10,777,778	(10,777,778)	10,777,778	–	–	–	–	–	–	–	–	–	10,777,778
Stock compensation expense	–	–	–	–	–	–	–	–	–	–	1,253,524	–	–	1,253,524
Interest earned on note receivable – officer	–	–	–	–	–	–	–	–	–	–	–	–	(15,022)	(15,022)
Issuance of Class A common stock	–	–	–	–	348,697.48	349	–	–	–	–	74,651	–	–	75,000
Class C common stock redeemed and retired	–	–	–	–	–	–	–	–	(4,000,000)	(4,000)	(4,000)	–	–	(8,000)
Stock options exercised	–	–	–	–	105,500	105	65,937.5	66	–	–	22,521	–	–	22,692
Issuance of common stock for services provided	–	–	–	–	195,809.85	196	–	–	–	–	146,539	–	–	146,735
Net loss	–	–	–	–	–	–	–	–	–	–	–	(8,794,080)	–	(8,794,080)
Balance at December 31, 1999	119,848,615.35	$25,777,778	$ 19,222,222	$(19,222,222)	26,920,918.33	$26,921	7,767,820	$7,768	27,052,569	$27,053	$7,437,742	$(8,794,080)	$(1,017,798)	$23,465,384

See accompanying notes.

72-0015088

@link Holdings, Inc.

Consolidated Statement of Cash Flows

Period from October 1, 1999 (effective date of change in control) to December 31, 1999

Operating Activities	
Net loss	$(8,794,080)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	972,650
Amortization	1,534,421
Issuance of common stock for services provided	146,735
Stock compensation expense	1,253,524
Changes in operating assets and liabilities:	
Accounts receivable	(72,545)
Prepaid expenses and other current assets	(277,283)
Accounts payable	1,991,893
Deferred revenue	111,950
Accrued liabilities	136,012
Accrued interest on note receivable from sale of stock	(15,022)
Net cash used in operating activities	(3,011,745)
Investing Activities	
Additions to property and equipment	(3,209,737)
Net cash used in investing activities	(3,209,737)
Financing Activities	
Principal payments on long-term debt	(2,298,315)
Proceeds from long-term debt	2,650,000
Principal payments on capital lease obligations	(187,250)
Proceeds from issuance of common stock	97,692
Purchase of Class C common stock	(8,000)
Proceeds from issuance of preferred stock	10,777,778
Financing costs paid	(2,650,000)
Net cash provided by financing activities	8,381,905
Increase in cash and cash equivalents	2,160,423
Cash and cash equivalents of predecessor	3,054,693
Cash and cash equivalents at end of period	$ 5,215,116
Supplemental information:	
Cash paid during the period for interest	$ 101,865
Issuance of preferred stock in exchange for cancellation of note payable	15,000,000

See accompanying notes.

@link Holdings, Inc.

Notes to Consolidated Financial Statements

December 31, 1999

1. Reorganization and Change in Control

In April 1999, @link Holdings, Inc., (Holdings) was formed by the stockholders of @link Networks, Inc. (Networks – formerly known as Dakota Services, Ltd.). Effective June 1, 1999, the shareholders of Networks and the holders of stock options in Networks exchanged their shares and options for shares and options of Holdings. The holders of Networks common stock exchanged each share of such stock for one share of Class A common stock of Holdings and .625 shares of Class B common stock of Holdings. Holders of options to acquire common stock of Networks exchanged each option for an option to acquire one share of Class A common stock of Holdings and .625 shares of Class B common stock of Holdings. The formation of Holdings and exchange of shares was accounted for as a reorganization with no change in basis of Network's assets and liabilities because the ownership was identical before and after the transaction.

The reorganization was completed pursuant to a Purchase Agreement dated April 30, 1999, between Holdings, Networks and a group of new investors (the New Investors) whereby, after completion of certain conditions specified in the Purchase Agreement, the New Investors would purchase 209,218,488 shares of Class A preferred stock of Holdings for an aggregate purchase price of $45,000,000. Holders of shares of Class A preferred stock may convert such shares into shares of Class A common stock at any time, generally on a one-for-one basis. The conditions specified in the Purchase Agreement were completed, and the commitment to purchase the Class A preferred stock by the New Investors was effective on October 15, 1999. Because of the rights of holders of Class A preferred stock, the New Investors acquired a controlling interest in Holdings on October 15, 1999. The reorganization and the purchase of Class A preferred stock by the New Investors were considered to be a series of related events pursuant to the Purchase Agreement. Accordingly, purchase accounting was applied and a 100% change in basis occurred on October 15, 1999, (treated as being effective on October 1, 1999, for financial reporting purposes) as required by generally accepted accounting principles. The opening preferred and common stockholders' equity of $52,434,183 was determined as follows:

Purchase of Class A preferred stock	$45,000,000
Valuation of Class A common stock in Holdings	5,650,509
Valuation of stock options and warrants in Holdings	774,000
Valuation of Class C common stock in Holdings	297,349
Costs incurred to complete transaction	712,325
	$52,434,183

1. Reorganization and Change in Control (continued)

As of December 31, 1999, the New Investors had purchased only $25,777,778 of the Class A Preferred Stock, but have committed to funding the remaining $19,222,222.

The shares of Class A common stock were determined to have the same per share fair value as the shares of Class A preferred stock purchased by the New Investors. The shares of Class B common stock were determined to have no value at October 1, 1999, because such shares will be converted to Class A common stock only upon the occurrence of certain future events or will be canceled if such events do not occur. Any future value assigned to Class B common stock will be accounted for as contingent purchase price. Shares of Class C common stock were valued based on the value to the holders of such shares as of October 1, 1999. Stock options and warrants were valued using the Black-Scholes valuation model.

The new basis resulting from the change in control was allocated to Holdings' assets and liabilities based on their fair values, and resulted in goodwill of approximately $18,400,000.

2. Business

Networks is a licensed Competitive Local Exchange Carrier (CLEC) in numerous states, including Wisconsin and Illinois. Networks has obtained a National CLEC status by filing with the FCC an IXC Interstate Tariff, which allowed Networks to file and obtain Interconnection Agreements with Bell Atlantic, Bell South, Ameritech, US West and SBC; National Master Interconnection Agreements were negotiated and executed (by state) with GTE and Sprint. Networks provides a wide array of broadband products, including Internet Access, secure VPNs and other enhanced services via its xDSL-based broadband access and ATM-based backbone network. Networks locates its equipment in Incumbent Local Exchange Carriers (ILEC) Central Offices (COs). Networks has its own private network (Backbone) connecting all of its locations by leasing lines from various sources. Networks presently services numerous markets in Wisconsin and Illinois with its broadband product offerings.

Though Networks is out of its development stage, the activities engaged in by Networks continue to involve a high degree of risk and uncertainty. Successful implementation of Networks' strategy will depend upon many factors including, among others, the need for additional financing, the dependence on technology, the costs of and timely completion of the Second Generation ATM network build-out, acceptance and pricing of Networks' services and the competitive environment in its marketplace. Networks' ability to develop its operations may be significantly impacted by uncertainties related to technological change and obsolescence, product development and competition.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Holdings and Networks, its wholly owned subsidiary (collectively the Company). All significant intercompany transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents. At times, the Company maintains cash balances in excess of federally insured limits.

Property and Equipment

Property and equipment are stated at cost. The Company depreciates its equipment on a straight-line basis over the following estimated useful lives of the assets:

	Years
Operating equipment	3-5
Computers and software	3
Vehicles	3
Furniture, fixtures and office equipment	5
Leasehold improvements	5

Long-Lived and Intangible Assets

The Company annually considers whether indicators of impairment of long-lived assets held for use (including intangibles) are present. If such indicators are present, the Company determines whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts and, if so, the Company would recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value.

3. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

The Company incurred costs to obtain financing under a credit agreement. The Company's policy is to amortize these costs over the life of the underlying indebtedness using the effective interest method.

Goodwill

Goodwill represents the excess of purchase price over the net assets acquired and is being amortized using the straight line method over the period of expected benefit, which is three years.

Income Taxes

The Company provides for deferred income taxes based on the temporary differences between the financial reporting and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured using the currently enacted tax rates and laws for periods in which the temporary differences are expected to reverse. No income tax benefit has been recognized with respect to the accumulated net loss due to the uncertainty of its future realization.

Advertising Costs

Advertising costs are expensed as incurred and totaled $25,000 for the period from October 1, 1999 to December 31, 1999.

Revenue Recognition

Revenue related to installation of service is recognized when equipment is delivered and installation is completed. Revenue from monthly recurring service is recognized in the month the service is provided. Billings in advance of providing services are recorded as deferred revenue until the period such services are provided.

3. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

In February 1998, the AICPA issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Developing or Obtaining Internal Use Software," which requires that qualifying internal and external costs incurred during the application and development stage be capitalized. The Company adopted SOP 98-1 in 1999, which resulted in the capitalization of approximately $138,000 of internal costs associated with internal use software from October 1, 1999 to December 31, 1999.

4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at December 31, 1999:

Payroll	$439,635
Bonuses	335,045
Vacation	45,663
Property and sales taxes	22,074
Other	16,138
	$858,555

5. Long-Term Debt and Note Payable

Long-term debt consists of the following at December 31, 1999:

Vendor financing facility	$2,650,000
Restated Note, net of unamortized original issue discount of $928,315	4,171,685
	$6,821,685

5. Long-Term Debt and Note Payable (continued)

On December 28, 1999, the Company entered into a credit agreement (the Facility) with a vendor. The Facility provides the Company with a potential borrowing capacity of up to $225,000,000 under two separate term loans (Term Loan A and Term Loan B), to be used for working capital and equipment purchases.

Term Loan A provides up to $125,000,000 in the form of one or more loans from time to time to finance the purchase of vendor goods and installation services under a master purchase agreement, as defined, and certain working capital needs. Principal amounts outstanding as of the Commitment Termination Date, defined as the earlier of (i) December 28, 2002, (ii) December 28, 2000, if less than $50,000,000 in aggregate principal amount of the loans has been advanced as of such date or (iii) the date upon which the Term Loan A and Term Loan B are fully funded, are due in 16 equal quarterly installments commencing on the Amortization Commencement Date, defined as the earlier to occur of (i) March 31, 2003, or (ii) March 31, 2001 if less than $50,000,000 in aggregate principal amount of the loans has been advanced as of such date, with the remaining principal balance, if any, due at the earlier to occur of December 28, 2006, or the fourth anniversary of the Commitment Termination Date. Term Loan A bears interest at either a base rate plus an applicable margin, or the Eurodollar rate plus an applicable margin, as defined.

Term Loan B provides up to $100,000,000 in the form of one or more loans from time to time, (i) to finance the purchase of vendor goods and installation services under a master purchase agreement, as defined, (ii) pay interest accrued on Term Loan B and (iii) to refinance amounts outstanding under Term Loan A, at the discretion of the vendor. Principal payments, commencing on the Amortization Commencement Date, are due in 18 quarterly installments in an amount equal to .25% of the aggregate principal amount of the Term Loan B outstanding at the Commitment Termination Date, with the remaining principal balance due at the earlier to occur of June 28, 2007, or six months after the fourth anniversary of the Commitment Termination Date. Term Loan B bears interest at either a base rate plus an applicable margin, or the Eurodollar rate plus an applicable margin, as defined.

The Facility requires mandatory prepayments to be based on qualifying asset dispositions, excess cash flow provisions, issuances of specific level of equity or debt issuance, a qualifying sale of the Network or the exercise of a put right by the New Investors. The Company is required to pay a commitment fee quarterly, at a rate per annum, as defined, on the average daily unused amount.

5. Long-Term Debt and Note Payable (continued)

The Facility contains financial covenants that must be met on a regular basis and certain restrictive covenants. Borrowings under the Facility are collateralized by substantially all of the assets of the Company.

On March 25, 1999, the Company's predecessor entered into a debt restructuring agreement (the Agreement) with a vendor related to a financing agreement originally entered into on March 27, 1998 and a subordinated promissory note dated September 30, 1998. Under the terms of the Agreement, concurrent with, and contingent upon the Company's predecessor receiving financing that raised an aggregate of $10,000,000, which effectively occurred on July 1, 1999, the vendor forgave all amounts outstanding, including all accrued interest, and canceled all warrants previously issued in conjunction with the facility and the subordinated promissory note. In exchange for this consideration, the Company's predecessor and the vendor entered into a Restated Note. Under the terms of the Restated Note, the Company's predecessor agreed to pay $10,000,000 in varying monthly installments, as defined in the Agreement. Because the Restated Note does not bear interest, the Company discounted the estimated remaining future cash flows under the Restated Note as of October 1, 1999 (effective date of change in control) and adjusted the carrying value of the Restated Note by $1,030,000 to $6,470,000. The effective interest rate on the Restated Note is 10%. The Restated Note requires the maintenance of certain nonfinancial covenants.

All principal and accrued interest outstanding under the Restated Note becomes due on demand upon the Company's issuance of debt or equity when the proceeds equal or exceed $50,000,000. For purposes of calculating the prepayment threshold, the purchase of Class A preferred stock by the New Investors was not considered. The security interests in the assets of the Company terminated upon the Company or its predecessor making cumulative payments of $4,900,000 on the Restated Note, which occurred on December 23, 1999.

5. Long-Term Debt and Note Payable (continued)

Scheduled aggregate maturities on long-term debt are as follows:

Year ended December 31	
2000	$ –
2001	3,496,875
2002	2,662,500
2003	762,500
2004	662,500
Thereafter	165,625
	7,750,000
Less unamortized original issue discount	928,315
	$6,821,685

6. Income Taxes

The components of the Company's deferred income tax assets are as follows at December 31, 1999:

Deferred income tax assets:	
Tax basis of property and equipment in excess of book basis	$ 68,000
Allowance for doubtful accounts	14,000
Asset writedown	33,000
Vacation accrual	14,000
Stock based compensation	1,417,000
Start-up costs deferred for income tax purposes	342,000
Net operating loss carryforwards	4,693,000
Deferred tax asset before valuation allowance	6,581,000
Deferred tax asset valuation allowance	(6,581,000)
Net deferred tax asset	$ –

The Company has net operating loss carryforwards (NOL's) of $20,000,000 (total NOL's at December 31, 1999) of which approximately $15,000,000 are subject to limitation under Section 382 of the Internal Revenue Code. Under that Section, after a change of control, which occurred on October 1, 1999, no more than approximately $300,000 of operating loss carryforwards incurred prior to that date will be available annually to offset future income during the permitted carryover period.

7. Commitments

The Company entered into various capital lease obligations to finance the purchase of equipment, phones and computers. These leases are payable in varying monthly installments through 2003.

The Company's predecessor entered into an operating lease for office facilities. The lease requires that the Company pay applicable property taxes, insurance and maintenance costs. The lease requires monthly payments of $19,023 through June 2002 and monthly payments of $20,545 from July 2002 through June 2005. Total rent expense for the period from October 1, 1999 to December 31, 1999, was $57,069.

In November 1999, the Company entered into an operating lease for the Texas location. The lease requires that the Company pay applicable property taxes, insurance and maintenance costs and requires monthly payments of $49,439 through April 2003 and monthly payments of $51,033 from May 2003 through October 2006. Total rent expense for the period from October 1, 1999 to December 31, 1999, was $49,439.

In September 1999, the Company's predecessor entered into an operating lease for the Colorado location. The lease requires that the Company pay applicable property taxes, insurance and maintenance costs. The third floor space was completed on November 8, 1999, and the second floor space has an estimated completion date of April 1, 2000. Until completion of the second floor, the lease requires monthly payments of $10,077. Upon completion of the second floor space, the lease requires monthly payments of $34,810 through year three and monthly payments of $36,288 from year four through year five. Total rent expense for the period from October 1, 1999 to December 31, 1999, was $17,803.

The Company leases communication lines. The operating leases, which expire through January 2003, vary in amount based on which equipment is used. Total rent expense for the period from October 1, 1999 to December 31, 1999, was $1,155,395 for access line charges and $98,105 for local loop charges.

The Company leases space in communication facilities. The operating leases, which expire through January 2001 with one-year renewable options, vary in aggregate monthly payments. Total rent expense for the period from October 1, 1999 to December 31, 1999, was $248,175.

@link Holdings, Inc.

Notes to Consolidated Financial Statements (continued)

7. Commitments (continued)

The Company's predecessor entered into an operating lease agreement to lease office furniture beginning June 15, 1998. The terms of the lease require 36 monthly payments of $1,471. Total rent expense for the period from October 1, 1999 to December 31, 1999, was $4,414.

The Company leases office space under an operating lease. The lease requires monthly payments of $855 for 36 months through July 2002. Total rent expense for the period from October 1, 1999 to December 31, 1999, was $2,565.

Total rent expense under these operating leases was $1,632,965 for the period from October 1, 1999 to December 31, 1999.

As of December 31, 1999, the Company's future annual minimum lease payments under operating and capital leases are as follows:

Year ending December 31	Operating Leases	Capital Leases
2000	$1,192,979	$1,108,283
2001	1,256,879	1,108,288
2002	1,254,378	1,108,284
2003	1,283,583	979,265
2004	1,294,395	473,322
Thereafter	1,354,866	–
Total minimum payments	$7,637,080	4,777,442
Less interest		856,929
Capital lease obligation		3,920,513
Less current portion		780,692
Long-term capital lease obligation		$3,139,821

Included in property and equipment at December 31, 1999, are computers, phones and equipment financed through capital leases with a total cost of $4,366,750 and associated accumulated depreciation of $446,236.

The Company is committed to purchase $83,947,000 of equipment under a vendor financing agreement dated December 28, 1999. The equipment is required to be delivered prior to June 30, 2001.

8. Capital Stock

The Amended and Restated Certificate of Incorporation of Holdings provides for the following authorized capital stock:

Series A Senior Convertible Preferred Stock (Class A preferred stock); par value $.001 per share: authorized – 210,000,000 shares; issued and outstanding – 119,848,615.35 shares at December 31, 1999; to be issued – 89,369,872.65 shares at December 31, 1999. All shares issued or to be issued were at $.2150861543 per share.

Common Stock, par value $.001 per share: authorized 750,000,000 shares consisting of:

Class A Common Stock, authorized 692,900,000 shares; issued and outstanding 26,920,918.33 shares at December 31, 1999.

Class B Common Stock, authorized 17,100,000 shares; issued and outstanding 7,767,820 shares at December 31, 1999.

Class C Common Stock, authorized 40,000,000 shares; issued and outstanding 27,052,569 shares at December 31, 1999.

Preferred Stock

Holders of Class A preferred stock are entitled to vote on all matters submitted to stockholders for a vote on an "as if converted" basis with holders of Class A common stock voting together as a single class. At any time, holders of shares of Class A preferred stock may convert such shares into shares of Class A common stock based on conversion procedures provided in the Articles (currently one for one). Shares of Class A preferred stock will automatically convert into shares of Class A common stock if holders of a majority of the Class A preferred stock elect to convert by providing notice to Holdings.

At any time on or after October 15, 2004, for holders of a majority of the shares of Class A preferred stock and at any time on or after October 15, 2006, for any holder of shares of Class A preferred stock, such holders may require Holdings to repurchase all, but not less than all, of the shares of Class A preferred stock held at the greater of fair market value or liquidation value as defined in the Purchase Agreement. Such put right may be exercised only during certain periods which are defined in the Purchase Agreement.

8. Capital Stock (continued)

Class A Common Stock

Holders of Class A common stock are entitled to one vote per share on all matters submitted to shareholders for a vote.

Class B Common Stock

Holders of Class B common stock are entitled to one vote per share on all matters submitted to shareholders for a vote.

In connection with only the first occurrence of a Qualifying Private Equity Placement, each share of Class B common stock outstanding will automatically convert to one-half share of Class A common stock and one-half share of Class B common stock. A Qualifying Private Equity Placement will occur if, prior to October 15, 2001, Holdings issues shares of its Class A common stock (one or more sales to private equity investors having aggregate proceeds of not less than $10,000,000 prior to an Initial Public Offering) at not less than $.8603446173 per share or Holdings is sold and the amount of consideration received for each share of fully diluted Class A common stock is not less than $.8603446173.

In connection with only the first occurrence of a Qualified Initial Public Offering (QIPO – over $20 million in proceeds), each share of Class B common stock will automatically convert into one share of Class A common stock. A QIPO will occur if, prior to October 15, 2003, (i) Holdings completes an Initial Public Offering (IPO) and the price per share for Class A common stock (without reduction for underwriting fees and other costs) is not less than $2.150861543 per share or (ii) Holdings is sold and the amount received per fully diluted share of Class A common stock is not less than $2.150861543 per share.

On the earlier of an IPO that is not a QIPO or October 15, 2003, all outstanding shares of Class B common stock shall automatically be canceled.

Substantially all of the holders of Class B common stock at December 31, 1999, are nonemployees or former employees. If shares of Class B common stock are converted to Class A common stock, the value of such shares will be accounted for as contingent purchase price at the date of conversion because the conversion features of Class B common stock were negotiated as part of the infusion of capital by the New Investors.

8. Capital Stock (continued)

Class C Common Stock

Holders of Class C common stock have no right to vote on any matters.

Conversion of Class C common stock to Class A common stock would occur upon the completion of a QIPO. Each share of Class C common stock would be exchanged for the number of shares of Class A common stock equal to the offering price per share for the Class A common stock in the QIPO less $.2150861543 divided by the offering price per share for the Class A common stock.

Shares of Class C common stock have been issued to certain members of management pursuant to their employment agreements. Such employment agreements provide for repurchase of shares of Class C common stock held by the employees upon termination of employment based upon vesting schedules and certain other conditions set forth in the individual employment agreements. The Company is accounting for the issuance of Class C common stock as variable stock awards over the vesting period. A measurement date for the awards of Class C common stock will not be determined until such shares are converted into shares of Class A common stock or are repurchased by the Company.

Forfeiture of Stock

The Purchase Agreement contains provisions for an equity forfeiture by the New Investors if certain events occur. If, prior to October 15, 2001, Holdings completes a Qualifying Private Equity Placement at a per share price of Class A common stock of not less than $.8603446173 or completes a sale of more than 50% of the fully diluted Class A common stock at a per share price of not less than $.8603446173, 5,685,285 of the shares of Class A preferred stock acquired by the New Investors will be forfeited. If, prior to October 15, 2003, Holdings completes a QIPO at not less than $2.150861543 per Class A common share or completes a sale of more than 50% of the fully diluted Class A common stock of Holdings at the same per share price, 11,370,570 of the shares of Class A preferred stock acquired by the New Investors will be forfeited. If both events occur, in no event will the aggregate number of shares to be forfeited exceed 11,370,570 shares.

8. Capital Stock (continued)

Any forfeiture of shares by the New Investors (in terms of equivalent shares of Class A common stock) will be equal to the aggregate additional shares of Class A common stock that will be received by holders of Class B common stock or holders of options or warrants to acquire Class B common stock. Upon the occurrence of an event requiring forfeiture as discussed previously, the value of any Class A common stock received by holders of Class B common stock will be accounted for as contingent purchase price.

Stock Compensation

The Company reports stock-based compensation expense under the intrinsic value-based method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." For the period from October 1, 1999 to December 31, 1999, the Company recognized $1,253,524 as stock-based compensation expense under the intrinsic value method in connection with the vesting of variable restricted Class C common stock. No expense was recognized for stock options because, as noted below, the options are fixed (i.e., time-vesting only) and their exercise prices equaled the underlying stock's fair value on the date of grant. The pro forma effect of applying the fair value based method under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," to the Company's stock options outstanding would not have a material effect on the Company's net loss for the period from October 1, 1999 to December 31, 1999. Accordingly, such pro forma and certain other SFAS No. 123 disclosures have been omitted from these consolidated financial statements.

In accordance with the "Non Statutory Stock Option Plan" (the Plan), the Company may grant options to acquire up to 45,831,424 shares of Class A common stock, for certain key employees and nonemployees as designated by the Board of Directors. Options granted by the predecessor Company were fully-vested upon the change in control and rolled-over into the Company. The fair value of these options, $725,000, was effectively included as part of the new basis as noted in Note 1. During the period from October 1, 1999 to December 31, 1999, the Company granted additional options to purchase common stock at exercise prices of $.215 to $.50 per share, which was fair market value of the underlying stock at the respective grant dates. The weighted average exercise price of options outstanding at December 31, 1999, was $.49 per share. The options are exercisable upon the completion of employment anniversary dates which vary by employee. The options expire on the earlier of the termination of the Grantee's employment for reasons other than retirement, disability or death; or twenty years from

8. Capital Stock (continued)

the date of grant. The following table summarizes the stock option transactions granted to employees at December 31, 1999:

	Class A	Class B
Outstanding options at October 1, 1999	5,688,400	3,305,250
Number of options canceled	(1,500)	(938)
Number of options granted	1,269,500	–
Number of options exercised	(105,500)	(65,938)
Outstanding options at December 31, 1999	6,850,900	3,238,374
Options exercisable	5,581,400	3,238,374

Other Stock Related Matters

In September 1999, the Company's predecessor sold 13,947,899 shares of its Class A common stock for $3,000,000 to the Chief Executive Officer (CEO) of Holdings in exchange for a note receivable as required by the CEO's employment contract. The provisions of the CEO's employment agreement provide for forgiving $2,000,000 of the note receivable balance if certain events occur. Because occurrence of such events was deemed probable and is not subject to any vesting, $2,000,000 of the balance was charged to expense when the note was issued (prior to change in control). The remaining balance of the note and accrued interest thereon is classified as a reduction of stockholders equity.

On September 15, 1999, the Company's predecessor issued warrants to purchase 100,000 shares of common stock at $.2150861543 per share exercisable through October 15, 2004, in connection with a consulting agreement with a third party.

On September 15, 1999, the Company's predecessor issued warrants to purchase 250,000 shares of common stock at $.2150861543 per share exercisable through March 26, 2004, in conjunction with the execution of a promissory note which was paid in full during 1999.

During the period ended December 31, 1999, the Company purchased 4,000,000 shares of Class C common stock from a shareholder in accordance with terms of the shareholder agreement for $.002 per share, or $8,000. The reacquired shares were subsequently retired.

9. Related Party

Certain related parties of the Company provide legal, accounting and consulting services to the Company. For the period October 1, 1999 to December 31, 1999, the Company paid $51,800 for legal and consulting services to the related parties.

10. Subsequent Events

On March 31, 2000 the Company entered into a stock repurchase and financing agreement with a vendor shareholder (the Vendor). Under terms of the agreement, the Vendor will sell 4,271,684 shares of the Company's Series A Convertible Preferred Stock to the Company for $1,416,666. In addition, the Company agreed to buy back 4,522,960 shares of the Company's Series A Convertible Preferred Stock for $1,500,000, subject to certain conditions. The Company will issue five separate non-interest bearing promissory notes each in the amount of $300,000 to the Vendor. Upon the completion of the Company reaching certain purchase thresholds, the notes will become due and payable at certain intervals. The Company has the ability to finance up to $5,500,000 of vendor equipment purchases under the financing agreement. In the event of a sale of the Company, as defined in the Company's Amended and Restated Certificate of Incorporation, prior to all of the notes being paid in full, each unpaid note will be exchanged for 904,592 shares of Series A Convertible Preferred Stock.

As of June 7, 2000, the Company had issued 80,249,916 shares of a new issue Series B Preferred Stock, par value $.001 per share in exchange for approximately $96,300,000 in conjunction with a private placement offering. The Series B Preferred Stock is convertible into shares of Class A Common Stock of the Company based on conversion procedures set forth in the Articles of Incorporation (See note 8). This equity offering qualifies as a Qualified Private Equity Placement and accordingly, 3,993,174 shares of the Company's class B common stock and 1,461,641 of options to purchase class B common stock will be converted into Class A shares and options and 5,685,285 of Class A preferred stock held by the New Investors will be forfeited. (See Note 8 for details)

ATTACHMENT F

Profile of @Link Networks, Inc.'s ATM Core Switching System

@link
Transparent LAN Customer

@link	@link TLS	
	6/7/99	Rev:1.1
	Drawn By: Sam Cook	
	@link	

ATM Core Switching System